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SUBJECT: LIBERIA: IMF PREVIEWS ARTICLE IV

REF A) MONROVIA 891; B) MONROVIA 817; C) MONROVIA 750; D) MONROVIA 727

1. (SBU) SUMMARY: Visiting IMF mission leader Robert Powell told Ambassador October 30 that Liberia was on track to reach HIPC Completion Point (CP) in mid-2010. The schedule for the CP is largely dependent upon implementation of the PFM Act (ref A) and the Anti-Corruption Commission (ref C) for one year. The team reiterated the importance of GEMAP and Liberia's pledge not to incur additional debt ahead of the Completion Point. They also noted the IMF had revised estimates for Liberia's growth rate down from 8.5% to 7.0% due to expected lower revenue from rubber, diamonds and timber. In a subsequent meeting, President Sirleaf told the Ambassador she felt the IMF visit went well. END SUMMARY.

2. (SBU) An IMF mission led by Robert Powell visited Liberia October 20-31 to conduct the Article IV review and evaluate an extension through 2009. They anticipate a follow up visit in June 2009. Powell said HIPC Completion Point remains a moving target, with the binding constraints passage and implementation of the PFM law and functioning of the Anti-Corruption Commission for one year. If the legislature passes the law soon after it reconvenes in late January 2009, the earliest Liberia would be able to qualify for Completion Point would be early 2010. The team said that a January 2010 timeframe was "possible" but mid-2010 was "more likely," and noted that it would be challenging to draft and implement the complex supporting regulations and procedures for the PFM law and to show the Anti-Corruption Commission was operational. Further, the IMF would unlikely make a determination before another review in mid-2009. Powell confirmed the 2009 program will likely focus on banking supervision and national accounts.

Good progress so far

3. (SBU) Powell said Liberia has done "very well" on meeting quantitative and structural targets, including the passage of the act to merge the Bureau of the Budget with the Ministry of Finance (ref D), the submission of a draft PFM law, and the establishment of the Anti-Corruption Commission (ref C). He noted that the move from "strategy" to "legislation" to "implementation" was the most difficult part of the program. Nevertheless, he described Liberia as a "good story" that is "on track in an extremely tough environment." He emphasized that "there is no better government to work with," though noting that cooperation with the Central Bank of Liberia (CBL) remained strained.

Central Bank still a challenge

4. (SBU) Regarding the CBL, Powell stated that bank supervision had improved and bank capitalization has increased. The CBL's decision to increase the number of commercial banks from four to nine this year was a concern, and the IMF team counseled against a further increase in the number of banks in the short term, but did not find any major vulnerabilities in the banks currently operating. The team stated that GEMAP or some other robust governance program

remained necessary, saying "things would deteriorate quickly" at the CBL without a strict program that monitored transactions. They acknowledged recent progress by the General Auditing Commission in auditing regular government accounts, but explained that most government entities do not yet prepare statements that are auditable and that GEMAP remained an essential "ongoing audit" of key institutions.

15. (SBU) Powell also emphasized the importance that the GOL adhere to its commitment not to incur any additional debt prior to HIPC Completion Point and not to draw down reserves that have increased to almost \$50 million. They said President Sirleaf had assured them of her resolve to keep the program on track through Completion Point.

16. (SBU) Powell noted they were revising estimates for Liberia's growth rate down from 8.5% to 7.0% due to expected declines in revenues from rubber, diamonds and timber. However, they still expect double-digit growth in the out years. The IMF expects foreign direct investment to grow more slowly on account of falling commodity prices and tighter credit markets. Inflation is expected to remain under control.

THOMAS-GREENFIELD